



Eliminating Racial Disparities is Crucial to Our Success

This issue of Trends focuses on the racial disparities that have characterized Minnesota's labor markets for far too long. Despite long-standing awareness that our populations of color generally, and our black community in particular, have failed to benefit fully by an improving economy, these disparities persist and by many measures have worsened.

This was highlighted recently by the release of 2014 American Community Survey data that showed declining household

income and increasing rates of poverty among our black population. But while a lack of improvement in recent years is reason enough to demand action, a glimpse into the future underscores the real threat that these disparities pose to our state's economic vitality.

These persistent racial gaps have as a backdrop another well-documented risk to our future well-being: a dramatically slowing growth in our available workforce. Over the past 60 or more years, our state and

national economies have benefited from a rapidly growing workforce, driven by the entry of baby boomers into their working years and by the dramatic rise in female workforce participation. These forces have provided businesses with an adequate, and often surplus, pool of job seekers from which to draw.

But those conditions are now behind us, and the defining characteristic that will challenge us in the years to come will be quite different. As of July 1, 2014, the U.S. Census

Bureau estimates that there are nearly 50,000 more resident Minnesotans who will reach the age of 65 by 2030 than there are resident youth who will reach 16 by that time. So if we had to rely solely on our existing populace, Minnesota will see its prime working age population fall by 50,000 by 2030. These estimates clearly show that the number of people available through natural growth in our working age population will fall well short of the needs of businesses looking to grow.

Minnesota's State Demographic Center projects that our workforce will expand by an average of just over 4,000 people per year over the next 15 years. That growth is one-tenth what we averaged between 1977 and 2001, and half the rate we have experienced since. But these projections are based on assumptions that participation rates by our older age groups will experience some pretty healthy increases over the next 15 years. If in fact these increases do not occur and instead hold constant at current participation rates for workers 55 and above, our labor force will shrink over the next 10 years by about 11,000 before finally starting to grow by 21,000 between 2025 and 2030.

Over the next 15 years then, under this scenario of steady participation rates among our older Minnesotans, we will see

an average annual increase in our workforce of just over 600. That's about seven additional workers per county per year for the next 15 years. Enough for a hockey team, but not a baseball team, and certainly not enough to staff expanding businesses and grow our state's economy!

Alongside this dramatic slowdown in our state's workforce is another significant change in our state's demographic makeup that has long been under way: increased racial diversity among our working age population. This issue of Trends is devoted to describing the many ways this trend toward greater diversity is changing our economy.

To illustrate the magnitude of these changes, consider that between 2013 and 2014, the number of white Minnesotans between the ages of 18 and 64 fell by 6,875, while the number of black Minnesotans within that age range rose by 10,469 and the number of Minnesotans reporting their race as something other than white alone increased by 27,889.

The reasons for these stark differences by race in growth of working age populations are at least twofold: for one, the white population is "aging out" into its retirement years at a much faster rate than our minority population. Secondly,

there continues to be a significant influx of foreign-born immigrants who are typically in that working age cohort. During this one year, for example, the number of foreign-born blacks of all ages, well over 90 percent of whom come from Africa, increased by 13,729.

This one-year illustration is reflected in population trends and projections by race, as Susan Brower describes in her article in this issue. Her State Demographic Center projects that between now and 2030, our minority population overall will grow by 37.3 percent, while the white alone population will grow



by 4.1 percent, most if not all of which will be 65 and older.

While it is difficult to project the racial breakout of our workforce 15 years from now, especially as much of the growing diversity is driven by foreign immigration, it is clear that what little growth we are likely to see in our workforce will come in large part if not entirely from our minority workers.

And yet we continue to see persistent race-based barriers to entry into the workforce and similarly persistent barriers to employment among those who are in the workforce looking for jobs.

As a simple thought exercise, suppose the black workforce grows at the 33.6 percent rate projected by the State Demographic Center for the black population between now and 2030 (although this is likely a very conservative estimate considering the relatively young age profile of that population). This would increase the number of blacks in our labor force from its current 148,780 to 198,770.

Also suppose we were able to close the gaps between black and white participation rates and unemployment rates so that they are both at current white rates by 2030. This would result in an increase in our annual employment growth by nearly



1,400 over each of the next 15 years. That might not sound like much, but remember we're looking at the real potential for a growth of about 600 per year, so this would more than triple our potential job gains.

The challenges we face over the next 15 years are so great that we'll need to tackle them with a multi-pronged approach to attract and retain workers, of all demographic characteristics.

Retaining older workers beyond traditional retirement age, attracting and retaining young talent, removing barriers faced by workers of all ages, welcoming immigrants from foreign lands, and educating and training the workers we do have are all necessary to overcome these challenges. But when we

recognize the rapidly increasing share of existing workers who are people of color, it becomes obvious that we must solve this problem of persistent racial disparities once and for all.

If, for whatever reasons that underlie them, these disparities continue, disadvantaged groups won't be the only ones who suffer. Businesses and the economic well-being of every resident of our state also will be affected. So working on solutions to close these racial gaps between our state's white population and its populations of color is not only the right thing to do, it's the necessary thing to do if we're to provide our economy and its employers with the workforce necessary for success. **T**